



WASHINGTON STATE DEPARTMENT OF LICENSING

Fuel Tax Legislation Fact Sheet

Washington's fuel tax statutes declare that the tax is a tax on the end user. The Federal District Court for the Western District of Washington entered a judgment for the plaintiffs, Squaxin and Swinomish tribes, declaring that the legal incidence of Washington's motor vehicle fuel tax (Chapter 82.36 RCW) is on the retailer.

The major provisions of this proposed legislation will:

- Clearly move the liability for fuel tax payments from the end user to fuel tax licensees.
- Eliminate the ability of licensees to claim bad debt credit or seek a refund of tax they have paid but did not or could not collect from the purchaser. This addresses the issues raised regarding fuel sellers above the retailer having tax credits, but not the retailer.
- Repeal provisions allowing fuel distributors from purchasing tax-deferred fuel. Without the ability of a supplier to collect on a distributor bad debt, it is highly unlikely the supplier will participate in the program.
- Eliminate the motor fuel handling allowance for distributors. Through this allowance, it could be concluded distributors are liable for the tax.
- Eliminate the need for special fuel distributor and motor vehicle fuel distributor license classifications.
- Modify the language for the state to enter into agreements with federally recognized Indian tribes on a reservation regarding fuel taxes. Tribal agreements will:
 - Require fuel to be purchased by companies lawfully operating as a licensee under this chapter or a tribal company doing business according to all applicable laws.
 - Require tribes to expend fuel tax proceeds, or equivalent amounts, on essential governmental services to include transportation, transit services, police services, and other highway related purposes.
 - Be audited by a third party auditor and reported to the director of the Department of Licensing and DOL will report annually to the legislature on the status of each agreement and ongoing negotiations.

